

**ECONOMIC DEVELOPMENT AND ENERGY COMMITTEE
OF THE
SUFFOLK COUNTY LEGISLATURE**

Minutes

A special meeting of the Economic Development and Energy Committee was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislative Building, Veteran Memorial Highway, Smithtown, New York, on **March 26, 2002**.

PRESENT:

Legislator Jon Cooper - Chairman
Legislator George Guldi - Member
Legislator William Lindsay
Legislator Lynne Nowick
Richard Kessel - Chairman of LIPA
Stan Klimberg - LIPA
Diana Taylor - LIPA
Michael Lourdes - LIPA
Bill Davidson - LIPA
Vinny Frigeria - KeySpan
Alice Amhrein - Commissioner of Economic Development
Nicole DeAngelo - County Executive's Office
Kevin Duffy - Budget Review Office
B.J. McCartan - P.O.'s Office
Peter Quinn
Mark Serotoff

MINUTES TAKEN BY:

Donna Barrett - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 1:20 P.M.*)

CHAIRMAN COOPER:

First of all, I'd like to welcome Richie Kessel and his associates to the Special Meeting of the Economic Development and Energy Committees. I understand -- actually, first, why don't we -- George, if you could lead us in the Pledge, please.

SALUTATION

CHAIRMAN COOPER:

I'd like to start things off. I believe that Chairman Kessel has a relatively brief presentation that he'd like to make, and then he'll open himself up to questions from the Legislature. First, if everyone at the table could please state their name for the record.

Mr. KLIMBERG:

Stanley Klimberg.

MR. KESSEL:
Richard Kessel.

MS. TAYLOR:
Diana Taylor.

MR. GRILLI:
Ed Grilli.

CHAIRMAN COOPER:
Richie, go ahead.

MR. KESSEL:
Thanks, Jon. Thanks for having me here today. And my staff, just so you know, Stan Klimberg is LIPA's General Counsel, Diana Taylor is LIPA's Chief Financial Officer, and Ed Grilli is LIPA's Chief of Staff. I brought them here because they have a lot of expertise in different areas so that some of the questions that you guys may ask, they'll be able to answer them if I can't. I thought I would just take ten minutes of your time -- thank you -- to give you an overview of where LIPA is today and kind of take you where we're -- where we're going and what some of the significant issues are. And I want to thank you, Jon, for having us here today. And I think you're doing a great job as Chairman of the Energy committee. And we've never met before, but congratulations on your recent election to the Suffolk Legislature.

LEG. NOWICK:
Thank you, Mr. Kessel.

MR. KESSEL:
You are joining such esteemed colleagues, like George. I know that you will do a great job. And we're delighted to be here today. Initially, this -- this was -- we agreed to come here today to talk about the generation purchase rights agreement, which as you know, we recently agreed in principle with KeySpan to extend. And while I wanted to lead off and just talk for a couple of minutes about that, I

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want to give you an overview of where LIPA is today and what the energy picture looks like for the summer.

But let me just start briefly just indicating that, you know, we appreciate the fact that the Suffolk Legislature and this committee, in particular, has had some significant interest in LIPA's right to purchase KeySpan on-Island generation. As you know, the on-Island generation is owned primarily by KeySpan, about 92% of all the generation on Long Island is owned by KeySpan. When we put the LIPA deal together, it provided for a one year window of opportunity that began last May and ends this May for LIPA to exercise the option to purchase all the generation as a package at what is termed fair market value. The original deadline was this coming May, I think May 27th of this year.

We have taken a hard look at this, and our staff had been looking at this issue for a year or more. And we also held public hearings, and

I know Jon came to one of those hearings out in Huntington. A number of people came expressing either support or opposition. It's a very, very complex issue. During that entire time, Bob Catell, the Chairman and CEO of KeySpan and I have been talking about the notion of trying to extend the option for the purpose of looking at alternatives that might work better for the customers.

Concerns have been expressed about the way this option was written. First, that we would have to purchase all or none of KeySpan's generation, we couldn't, for instance, purchase a particular plant as opposed to not purchasing another plant. There were concerns expressed by the fact that until we had exercised the option, or at least until we had voted to exercise the option, we would not know what the price was. And there was concerns expressed by both myself and Bob Catell about the way the option was written, the fact that a number of new things have to come to the floor since the option was first written into the LIPA takeover back in 1997 or 1998. And so as a result of our conversations with each other and some of the input that we received from some of our customers and some of the groups and some of the Legislators, we have reached an agreement in principle with KeySpan that would extend that option and would, in effect, have the window shut down but reopen in November 2004 and give us a six month opportunity to exercise the option once again by May of 2005.

However, just merely getting an extension is not as significant as what -- how I see where we need to go. I should tell you that right now we're working very hard and Stan Klimberg is going to leave immediately back here. He is working diligently with KeySpan's lawyers to try it and come up with the language of the extension that I hope to present to my Board on Thursday. We're trying to get the documents done today. And I think -- we still have some issues outstanding with KeySpan on the language, but I'm relatively confident that we will get there.

I think it's important to note that the extension provides LIPA and KeySpan with a unique opportunity to look at alternatives to the notion of purchasing all of the plants or none of them at fair market value. Some of the alternatives that are agreed to in principle suggest that we look, and that I'm very interested in looking at is

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whether or not the option can be changed so that A) LIPA could purchase some but not all of the plants; B) the possibility that a third party could come in and purchase some of the plants as well, either with or without LIPA; C) that LIPA and/or KeySpan together in partnership or separately could repower some of the existing units, which would basically increase the capacity of those units within the same footprint and clean up the emissions. It's a new technology that, in my view, presents one the greatest opportunities to add capacity is to Long Island. And so the goal is to extend the agreement, but once we have extended the option, my hope is that we will enter into immediate discussions with KeySpan about the possibility of changing the option so that we might have the unique opportunity for several entities, including or not, LIPA, KeySpan and others from owning some of the power plants on Long Island, repowering some of the plants and some of the other options that I think are out there and available.

I frankly think that had we had to make a decision today, we would

have, I believe, I would have certainly recommended that we would have gone forward and purchased the plants, because I continue to believe that ownership of those plants -- if one entity is going to own those plants, I'd rather it be a public entity than a private entity. That is not criticizing KeySpan. I think they've done an excellent job in running the plants. The issue is not running them, it's owning them. And I happen to believe, and my staff recommended, and I concur with that with that ownership is better left in the hands of a public entity than a private profit making entity. Having said that, however, assuming that our Board's respectively approve this extension, it will enable us to look at some very exciting alternatives, which I believe could lead to lower electric rates in the future and at the same time try and create wholesale competition here on Long Island. Although, I think that's a difficult thing to do, and I'll get to that in -- in a minute.

Let me -- let me now just -- and I know we've given you this book and it's in an order that I'm not going to stick to, I hope you don't mind. I'd like to talk about two issues that are of importance, I believe, to the customers, your constituents, our customers in Suffolk County and to the Legislature, and that is supply and cost. Let me -- let me deal with the cost issue first, and then more importantly, the supply issue, especially as it relates to this summer. The good news is that LIPA's electric bills will not go up for the next 12 months. And unlike almost everything else, I noticed the price of gasoline in the last two weeks has gone up by 14 cents a gallon, the price of a pay phone call is doubling from 25 to 50 cents, the price of a first-class stamp is going up from 34 to 37 cents, taxes in both counties are going up, taxes in most municipalities are going up, the cost of cable television, health insurance, car insurance, food, almost everything is going up this year except electric bills.

And I think that is an important thing to point out from the outset, that the promise that Governor Pataki and I made when we acquired LILCO back in 1998 was that we're going to try to reduce rates by double digit numbers and keep them down. And the fact of the matter is that we did reduce rates by more than we thought we would, 20%. And we've held those base rates down. And even know we had to implement a

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5.8% surcharge last year, we are only recovering half of our fuel costs, our higher fuel costs, which is unique not only here on Long Island, it was never done before, but unique in most areas of the country. LIPA unlike LILCO or most other utilities currently is not recovering all of its higher fuel costs from its customers. Just like everyone else, we have faced higher oil, natural gas, and purchased power cost like every other utility. However, unlike all of those other utilities, we have had made a determination to absorb half of those cost over a two year period. I will tell you that over the last two years, our fuel costs have exceeded the cost built into our base rate by a half of a billion dollars. Had we passed on all those costs to our customers, as LILCO always did and as almost every other utility in the country is currently doing, we would have had to put a 13% surcharge on our electric bills last year and a 9% surcharge on our electric bills this year. We made a determination last year that because of Long Island's economy and because we felt that 13% surcharge would be devastating to our customers, we decided to absorb last year 60% of our higher fuel costs from the year before and pass through only 40%. This year we decided to continue that surcharge,

but not increase it despite the fact that our fuel cost went up again last year by approximately \$200 million. But once again, we are absorbing a significant portion of those costs.

Over the two year period, while our fuel costs have exceeded base rate fuel -- built-in costs of \$500 million, we're absorbing \$250 million and passing through \$250 million, which is an extraordinary accomplishment for LIPA. It's not easy for us to do. What it means is that while we're still be able to retire the Shoreham debt in the Year 2013, which is half the time we originally anticipated, which is great news for our customers, we probably could have retired it sooner had it not been for higher fuel costs and our decision to try and absorb some of those costs, which makes it more difficult to move that date up further. I should point out to you that when we announced the LIPA deal in 1997, we said we would write off the Shoreham debt in the Year 2029.

Thanks to governors -- the Governor's agenda, we got better interest rates than we thought. We utilized some of that to increase the rate reduction to 20%, but the rest of it we used to establish a program to accelerate the repayment of the Shoreham debt, which we are still doing. But the fuel cost -- higher fuel cost's prevents us from accelerating it even more. So the good news is we've accelerated the repayment of the Shoreham from the Year 2029 down to the Year 2013. The bad news is have we not had these fuel cost issues that we and all other utilities face, or had we decided to pass through all of our costs to our costumers, we probably could have moved the repayment of that debt up even further, maybe two or three years. But the good news is that LIPA is in a very financial position right now. There are people who suggest that we should have eliminated the fuel surcharge entirely. Had we done that, we would have put LIPA in the same position as Nassau County is in now, and we would have been downgraded and probably ultimately created massive problems for our customers later on. We cannot allow that to happen.

While we want to try and help our customers, we don't want to destroy LIPA in the process. And so we made a decision that I think I'm very

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comfortable with, that we would basically continue the fuel surcharge at its current level. What that means for your constituents though is that whatever electric bills they faced last year, they will pay the same electric bill this year. The only difference is in Suffolk County where there is a 150% increase in the Suffolk County surcharge on our bill. So Suffolk customers will pay a slightly higher bill because of the surcharge that was implemented by this Legislature and County that we have no control over. But other than that, electric bills this year on Long Island will not be going up.

I will tell you that on the supply issue things are going to be very tight this summer. Anyone who thinks that the energy crisis is over, is kidding themselves. In fact, tomorrow, the New York State Independent System Operator will be holding a press conference to talk about the severity of energy supply, not just now, but going over the next three to five years throughout the entire region, but particularly for New York City and Long Island. And I want -- I want to tell you that despite some of the things that you may have read the fact is that the energy crisis is not only not over, but it my view, it's worse this year than it was last year at this time.

I think maybe that the public has been lulled a little bit by the fact that we had a terrible tragedy last September 11th. We lost a lot of people, and it's a terrible tragedy. The World Trade Center lost not only people, but jobs. The economy slowed down and there was a view being expressed just a couple of months ago that if demand grew by 1% that would be a lot. In fact, in the city ConEd predicted the demand would be relatively flat this year. Our own budget projections, looked at just a couple of months ago, indicated that we would have slight growth, but nothing compared to what we've been experiencing every year. We have been experiencing growth in the use of electricity of about 3 1/2% a year, which is double the state and national average. We're adding 100 megawatts to the system each and every year. And I want to tell you today that despite some of the earlier projections that were made by us and others, my view is that we're going to see significant additional growth this year especially during the peak season. And I happen to believe that our own estimates that were just a couple of months ago somewhere around one and 1 1/2% are -- are significantly lower than what we could see this year. I don't think it's out of the realm of probability that with the economy recovering, with jobs being created and with all of the building that's going on throughout Long Island -- and it's astonishing, even in these times -- that we could add another hundred megawatts this year and grow at a rate of 3 1/2%.

What this means is that we're using more electricity than every before. The economy is strong on Long Island and it continues to be stronger and recover. I just was driving over to Huntington this morning and noticed on the Long Island Expressway the growth the Reckson Building on the south side right before 110, the new development and the new homes, all with central air conditioning and other things that are being built where old Myers Farm used to be off the Long Island Expressway. And you go out on the East End, on the North Fork, on the South Fork, all of this is adding to the extraordinary push and pull on the electric system. So I -- the most important thing I want to say to this committee today is that no one

on this committee, no one on Long Island should think that the energy crisis is over. I think we are going to have a very, very difficult summer this year.

Having said that, we've prepared for it in three areas. And let me just quickly tick them off. Number one, we are going to be spending this year \$37 million on energy efficiency and clean energy initiatives. LIPA leads the state in clean energy initiatives. Some people say we're not doing enough, and they're probably right, we can always do more. But there is no other utility in the state that's spending as much money as we are on clean energy initiatives. We're going to push very aggressively on our air conditioning bounty program this summer to get people to turn in their old inefficient air conditioners for new ones. We're continuing to push our commercial construction program. We are going to be giving rebates for other appliances, we're installing thermostats, about 500 a week, as we speak in homes to try and cut down on air conditioning use. We are very proud to have the largest group of individual 75 fuel cells hooked into the grid right now in Babylon, in West Babylon it's the largest fuel cell prototype farm in the world. And I'm very proud of

that. We're going to be getting additional fuel cells delivered in May or June of this year that we're going to be putting in various municipalities, school districts and businesses around Long Island to continue to push forward very hard on fuel cells.

We're trying desperately to put windmills up for the summer. George, out on the East End, we have an agreement with the Long Island Farm Bureau. We had a lottery, we are now in the process of selecting a number of farms where we hope to put windmills up, if the public will allow us to do that on the East End this summer. We're also in the final stages of doing a feasibility study for an off-shore wind mill project off the coast of the South Shore of Long Island in the Atlantic Ocean. We should be having that feasibility study completed within the next 30 to 60 days. We are pushing very, very hard on wind, our Solar Pioneer Program, we need to do more, but we are doing a lot. We are -- Governor Pataki recently came to Long Island to the Inn at Fox Hollow where we selected an additional 30 customers to receive free solar roofs, that's in addition to the 30 customers we've already given free solar roofs to and in addition to 20 low-income customers who are going to get free solar roofs in time for this summer. We doubled our rebate for people who want to install their own solar roofs from three to \$6 a watt. We got such positive response that we're almost out of budget for rebate money this year for solar roofs for people who want to put them in their selves. So after what I consider to be kind of a slow start, our solar program is growing at an astonishing rate.

However, all of this energy efficiency and new technology alone is not going to even come near approaching the additional 100 megawatts, let alone the 5000 plus megawatts we could hit this summer. Last summer we came very close is to having blackouts, as many of you know, during the week of August 6th. We set a record on August 8th, we sold -- we delivered 4906 megawatts of electricity. By the way, when we took over LILCO we projected that in the year 2008 we would -- we wouldn't sell 4800 megawatts of electricity. We're already at 4900. And if we have a heat wave this summer, we're going to blow by 5000 megawatts, I

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guarantee you.

So we need to do other things, and these are the two other things we've done, Jon, for this summer. Number one, I am delighted that the State of Connecticut Siting Council and the Army Corps of Engineers recent approved a cross-sound cable that would basically plug in New Haven, Connecticut and Shoreham on Long Island. The line has already been manufactured. It's being loaded on a boat in Europe, and absent a court order, it will be voted -- boated over here within the next 30 to 45 days and installed over a two to three week period in May. And that line will be in service this summer, and it allow us to import and export up to 330 megawatts of electricity between Long Island, Connecticut, New England, UpState, New York and other parts of the region. This is a significant in addition to our transmission system and our ability to move electricity back and forward between Long Island, New England and Upstate, New York.

And I want to point out that while this line is going to be very important for us here on Long Island, it is just as critical for the people in Connecticut and New England. And I, in fact, met with the

State Attorney General of Connecticut several weeks ago and told him what I'm going to tell you, I wouldn't be surprised if there is a day this summer when Connecticut will have to get power from Long Island over this line to avoid rolling blackouts. Connecticut has some very serious supply problems, especially this summer. And it may be that this line will not only help Long Island, but also help Connecticut and New England as well.

Finally, we are in the process of having built for us ten small generators; one in Far Rockaway, two in Glen Wood Landing, two in Brentwood, one in Bethpage, two in Port Jefferson and two at Shoreham. They're being built by four companies, Cal Pine, Florida Power and Light, Pennsylvania Power and Light and KeySpan. We are hoping that those units will be up and running by July 1st. We are spending daily, having conversations -- Ed Grilli, who is my Chief of Staff is in charge of these projects. He's done an extraordinary job, and we are beating up these companies everyday to make sure that we try to get these plants done and on line for this summer. This is an extraordinary project for a company that's not a generation company. LIPA is not in the generation business, but obviously we're responsible to make sure the lights stay on. That is why we've gone forward with this project, it is a critical project. The units are running about on schedule. I would say to you the KeySpan units are a little bit ahead of schedule, the others are a little bit behind, but catching up quickly. And our goal is to have these all of these plants on and -- on, up and running by around July 1st. A couple may come in a little before, a couple may come in a little bit after. But these plants will add an additional 400 megawatts to the system this summer when combined with the 330 megawatts. It means that we'll have some breathing room this summer that we didn't have last summer.

Now having said that, I have to tell you that during the week where we almost lost the lights, everything worked, every plant was up. And I have to tell you KeySpan and LIPA did an extraordinary job in keeping those plants running and making sure that we did what we had to do to keep the lights on. But I have to tell you that you -- it may sound

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that 700 megawatts should solve the problem this summer, but again, if do the math quickly, if you loose one or two units during a hot week, you are back to where you were last summer. I expect that we're going to have some days this summer where we're going to be very close to the precipice again. And we're working very hard to make sure that we avoid rolling blackouts on Long Island, but it's going to be critical that Long Island, that our customers, that you as Legislators be responsible to recognize we're in a crisis, that we all need to work together. And I do want to commend the Suffolk Legislature, the County Executive, Bob Gaffney, and the Citizens Advisory Panel, which is your panel that you fund, for helping us last summer get through a very difficult time. It was very tight, and I don't want anyone here to fall asleep and think that we're over the curve because, you know, the economy is bad or what happened to September 11th or we're building all this new stuff. The energy crisis is right here, and we're going right into it again, and we have to be prepared.

Let me conclude my opening remarks, there's so much else that I can say. But I do want to make one other point, Jon, and that is that with all of things that we've done, and when you look at the accomplishments of LIPA, and I think you see why some of the people

who opposed the LIPA deal or not so much in favor of it, you know, not only did we lower electric rates by 20% and saved our customers \$2 billion in almost four years, not only did we give back \$200 million, settled the Shoreham tax case and avoid a financial catastrophe for this County, not only did we -- you know, are doing all these clean initiative -- clean energy things, but our service went from worst to first. LIPA's electric service is number one in the state for overhead utilities. And whether you look at any standard of measurement done by the Public Service Commission, numbers of outages, numbers of momentary outages, duration of outages, we have taken LIPA from where LILCO was as the worst service in the state to the best service in the state.

And I'll tell you the two reasons why. Number one, the employees who do an outstanding job. And I always say this, that when I was a critic of LILCO I maybe didn't take enough time to differentiate between the management and the employees. The employees do an incredible job, and I think we all believe that, and I think they deserve a lot of credit. The other thing is we're spending huge amounts of money to make capital improvements to the system. It's not something you read about everyday, but just to give you an example, Jon, when we took over LILCO, we estimated we spend \$1million a year on capital improvements. This year we're spending over 300 million, last year we spent about 240 million, next year we're going to spend about 230 million. So this year's a little bit of an anomaly because we're putting all these new plants and the new cross-sound cable in. But on the average -- and I have to be frank with you about this, we were sold -- we were sold a deteriorating decrepit transmission and distribution system. What we've done, and, you know, George is pointing to himself, I told you so, but what we've done is we could have left it the way it was under LILCO and had the rates -- and by the way, had LILCO still been here, if we had not done the takeover, as a lot of people didn't want us to do, not only would our rates be 20% higher, but all of the fuel costs would have been passed on to the customers, and LILCO's rates would have gone up on their own. You

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would have seen rates today on Long Island 30 to 40% higher and service would have stunk. The service now is good because we're investing a lot of money into a system that frankly, was in a terrible state of disrepair. My belief is we're going to have to continuing to spend that money to maintain and upgrade the transmission system.

Finally, and I keep saying finally, but one more point, Jon, and this is an important point. We need to work together for the future. I am deeply concerned not just about this summer and next summer, but the out years; '05 and '06 when we desperately need some new base load power plants built on Long Island. We're working very hard to get these plants built. They are some private companies that want to build power plants out here, but I have to tell you the truth, and this is the way it is, no company seems to be willing to build a power plant on Long Island unless LIPA commits to buying all of the electricity from that plant. None of them. And some of them that claim that they want to build a merchant plant out there are coming to us quietly and saying to us, we can't build this unless we sell all the power to you. And so the notion that somehow, you know, LIPA doesn't want to see plants built by other companies or, you know, wholesale competitions being held back, the world of generation has changed since last fall, the economy, and Enron to the point where

almost no company is willing to build a small or large power plant on Long Island anymore without getting a commitment from LIPA that we're going to purchase all the power from it. And we simply cannot make those commitments to every company that wants to come in here and build a power plant.

So I'm going to conclude by stating that we are, I believe, that some of the power plants that are currently being planned for Long Island are not going to get built. On that basis, we've got to look LIPA, just like we took the lead this summer to get four private companies to build power plants for us for at least one, if not multiple partners to build at least one new major base load power plant on Long Island that we can know for certainty will be open in the '05, '06 time frame. If we don't move on that quickly, the lights may not go out this summer, but the lights will certainly go out in two or three years time. And we have to avoid that at all costs. So that's basically where we are today. We'll take any questions that you have. Sorry I was a little longer, but there was a lot.

CHAIRMAN COOPER:
None of us noticed.

MR. KESSEL:
You did. Your hand was on the mike the whole time.

LEG. GULDI:
I won the pool

MR. KESSEL:
What did you say?

LEG. GULDI:
Nearly an hour

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MR. KESSEL:
It wasn't though, it was a half hour.

CHAIRMAN COOPER:
No. You were pretty good, Richie. And, Richie, I do have to agree with you that LIPA has done a lot of things right for which I congratulate you. And I also wanted to congratulate LIPA and KeySpan for agreeing to extend the GPRA, I think that was a very wise move. And I really wasn't planning on asking that many questions about the GPRA since we have two and a half years to debate it, but I do have a couple of questions, a few basic questions.

LEG. GULDI:
I have some questions about the extension.

CHAIRMAN COOPER:
Number one, why did LIPA agree in the first place to pay fair market value rather than book value during the negotiations for the GPRA?

MR. KESSEL:
We believe that fair mark value is book value.

CHAIRMAN COOPER:

And you're also aware that KeySpan believes that fair market is probably three to four times book.

MR. KESSEL:

We believe that fair market value is book value. And we're very confident in that. But again, we have time now to go beyond that, and, you know, we've got some terrific ideas. I have to tell, we'll let you in on a secret. Bob Catell and I have talked about some innovative and unique concepts as a way to change the option and make it beneficial not only to our customer, but also to KeySpan and to the environment on Long Island. And so I think we've got some exciting things to look at. But I'm very comfortable with fair market value being book value, and right now we don't have to deal with that, but we'll see where we go later on.

CHAIRMAN COOPER:

Before we leave that issue, if LIPA were to pay a price higher than book value, wouldn't rate payers, in effect, be paying for assets that they've already paid for as part of the electric rates that were charged in the past?

MR. KESSEL:

I tell you what the answer, the answer is that was the same argument made when we took over LILCO, that, you know, didn't we really already pay for the electric rates. Well, if you want to move forward, you have to make bold decisions. You know, and I've said this before, and I'll say it again, Governor Pataki deserves a tremendous amount of credit for having the guts to do something that prior governors that I work for and others before them wouldn't do, and that was to get rid of LILCO and to replace it with a public entity. And again, we're not perfect, and people will say that we've done some things good and some things not so good, and I'm sure we could do better in some areas. But I have to tell you that if we were to take the argument that you

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just made -- or that you -- not that you yourself just made, but you just stated well, you know, we paid for everything before, why do it now, we would -- we would be stuck where we were. If we had listened to that argument back in 1997, made by some people out here, we would have LILCO today. We would have rates 30 to 40% higher, stinky service and the Chairman of LILCO certainly wouldn't be sitting here at this table today as we are. I mean, there's a whole different world out there.

Transposing that to today, Jon, we want to try to make things better. And I think that's what we want to take a look at. I -- if you wanted to ask my vision, what I saw, what I'd like to see in ten years, a personal vision, I'll tell you what I'd like to see in ten years. I would like to see some of the existing power plants on Long Island repowered so that we can increase their capacity, clean them up and keep the same footprint. I'd like to see some of the plants owned by LIPA and some by others, whether that be KeySpan if they still want to be in the generation business or other private companies. I think that's a good idea as well. I'd like to see some new generation added by private companies who can sell electricity directly into the electric system. And I'd like to see 10% of our energy needs met through alternative technologies and clean energy. That's a bold goal. And we're going to need the help of everyone, but that's the vision that I have. We simply can't get there if they're not willing

to take some bold steps.

And I believe that, you know, again, we could sit here and argue about Shoreham, or what we paid for in rates 20 years ago, but we really need to look at what we need to do to make sure that we, you know, stabilize electric rates, get them down even further, provide competition and have a reliable supply of electricity. In order to do that, you know, we have to make some bold decisions. And we can't nit pick about, you know, what we might have paid for before. Look, it's a tragedy that we're paying for the Shoreham Nuclear Power Plant and the freaking thing never opened. I was out there a month ago, you walk through it, it's a ghost town. And I tell you if any of you are interested, you should take a look at it. We'll take you through it. Take a look at it, and see the time has stood still out at Shoreham. But when you're there what strikes you, Jon, is \$6 billion investment that was never used. Now, we can sit here and complain about it. I spoke at a civic group last night in Far Rockaway and some guy was, you know, railing on about -- by the way, about the Suffolk Legislature, Cohalan, me and how come we oppose Shoreham. And, you know, the answer is simple. It's over pal, you've got to move to the future.

I think you've got to, you know, stop focusing so much about the past or what we did or didn't do and take it from today and move forward. I'll tell you this, I am -- I am proud -- the notion that I can sit before this Legislature and this committee today and say to you that LIPA is not raising its electric bills this year under these conditions, and that despite the fact that electric rates have gone up throughout the country, in California they've soared, in some instances, well past where we are today and we're holding steady. I think it's a great accomplishment. And whether we paid for Shoreham or we're not, that's where we are. We have to deal with the cards

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that we've been dealt, and move forward.

CHAIRMAN COOPER:

I do want to before I move to other questions and Legislator Guldi has some questions, I wanted to just take one further swipe at the question of the book value versus fair market because the GPRA could have said that you'd be paying book value if there is agreement that what was meant, but it doesn't use that term, it repeatedly uses fair mark. But there seems to be a conflict. My understanding is that when the PAC Board approved the LIPA takeover, they imposed project condition number two, which prohibits LIPA from paying a price greater than book value if LIPA were to exercise the GPR. And just to quote the relevant section, it says LIPA commits that if LIPA exercises the generation purchase right agreement and the power supply agreement, it will not purchase such assets at a price greater than book value. Why is it then if you meant to pay no more than book that you allowed the agreement to be written using the terminology of fair market? And that was really my reason why I ultimately came out in opposition to the purchase by LIPA of the KeySpan power plants was because of this perception that there is a major difference between book and fair market. And there was a major discrepancy between what LIPA felt it would have to pay ultimately and what KeySpan felt that they would have to pay. And if the agreement was worded properly, it would have all been moot. So why is it they did not refer to book,

MR. KESSEL:

Well, you know, let me say three things. First of all, I think we all agree, and I certainly agree, that it's better to know the price you're paying for something before you vote to purchase it. But the goal in negotiations that we will have with KeySpan is if we decide to buy some of the plants or all of the plants or repower or whatever we do with it, we both know what we're paying or selling it for before we do that. I don't think there's any question about that. So I -- you know, that criticism that you made at the hearing and that you're saying now, I agree with. It's one of the reasons, I think, we're better off extending the option.

Why was it written that way? You know, I tell you, I was in there, the agreement was very complex, there was give and take on both sides. There were things that, you know, we did that we didn't want to do, there were things that LILCO did that they didn't want to do, but we had to come to an agreement to end the controversy that dogged us for two decades. And, you know, some of the language on the generation purchase agreement was based upon things that LILCO and the former Chairman of LILCO at the time wanted, and we gave them in return for other things that we got in the negotiations. Could the option have been written better and more advantageous to us, clearer and more concise? I think it could have been. But again, I have to deal with what I have. You know, rewriting history does very little good when you have to make a decision. So I don't disagree with that, and again, I believe very strongly that -- that book value is equal to fair market value at best. The value of those plants has to -- when you look at those plants, the major component of valuing those plants is that they're committed to LIPA for up to 30 years, 15 under the first agreement, and the option to renew for another. So the value -- the fair market value of those plants is considerably

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less and maybe less than book value, because if anyone came in and brought them at fair market value, they couldn't use them because -- other than to sell electricity to us under a fixed contract where rates are set every five years by FERC.

So I'm not sure the value -- but having said this, you know, we're rearguing something that hopefully we won't have to get to. My goal is to try and resolve the issue of who owns which plants and what should be repowered within the next 12 months. I don't think we should have to wait until November '04 to May of '05 to make these decisions. And if we can -- if we can work something out with KeySpan where we decide whether or not we should repower some of the plants, if we decide to do that, which ones we should repower, who should repower them, who would own the repowered plants, who would own the other plants, if we could make those decisions now, I think we are all better off. And my goal -- I don't want to speak for KeySpan, they'll speak for themselves, but my goal is to try to resolve this whole issue within the next 12 months, maybe sooner.

CHAIRMAN COOPER:

One final question on this point. Is it true that LIPA has conducted studies that show that rate payers would see reductions, electric rate reductions, if LIPA were to purchase the KeySpan plants? And if you do have such studies, would you be prepared to share that with the Legislature?

MR. KESSEL:

We've done studies, but because we've extended the option, I really don't think that they have that much relevance. Those studies are part of our, you know, review as government agency into, you know, some very significant and confidential financial information, which could hurt our financial position. So I'm not sure we're going to share those studies with you at this point. I will tell I've seen enough work to indicate to me that -- that had we exercised the option, that our rate payers would have seen is slight rate reduction of one to 2%. You know, that wasn't the major reason for exercising the option, but that's because, you know, the same reason why LIPA took over LILCO, and we lowered electric rates applies when we take over that plants. We don't pay federal incomes taxes, we don't pay dividends to share holders because we don't have any, we don't have a profit motive because we don't make a profit, and we refinance taxable debt with tax exempt debt. The same concept applies to the generation. But obviously, it's very sensitive to the price. And the higher the price, the lower that rate savings. I can tell you one thing. Had we ever reached a point, and we again, it's all moot because we're hoping for this extension to be approved on Thursday. Had we ever reached a point where the price -- we were wrong about the price, and it got to the point where rates would have to go up. The Public Authorities Control Board at our request or on their own would not have approved the deal, because ultimately we've would have had to get their approval to get the financing to purchase the plants. And they can't approve financing that doesn't result in rate payer savings. But we would never have put ourselves in the position where we would have left open the possibility of a rate increase from purchasing the plants.

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CHAIRMAN COOPER:

I did want to move onto other issues such as fuel surcharge and repowering and plants for new generation, but Legislator Guldi, did you have a couple of questions on this point?

LEG. GULDI:

Yeah. Actually, on the -- on the point of the option I have -- because I think if we digress to --if we digress as much, Richie, we'll be here until Passover's over.

MR. KESSEL:

Which Passover?

LEG. GULDI:

Yes, precisely. The one thing -- so the only issue I want to focus on because it's before your Board on Thursday and because we're talking about it, is the option on the power plants. The first question I had and I had it at the prior presentation that LIPA made available to public officials from both counties was exactly what does the option cover? The power plant, the footprint of the power plant, and, you know, I've even gone so far as to go looking for deeds to see who owns the land. And I find from the County Treasurer's Office that everything is still deeded to LILCO. That KeySpan and LIPA don't, apparently if you're looking at the deeds, don't own anything, which I found surprising. And it could be just that the Treasurer's records aren't current with the Clerk's records. I hope that's the case, but what I was trying to determine is the first -- the first question I

had is what does -- exactly does the option cover?

MR. KESSEL:

I get the question, I'll give you the simple answer. It covers all the power plants in the footprint under the power plants.

LEG. GULDI:

But not the other lands?

MR. KESSEL:

That's correct.

LEG. GULDI:

How did the other lands get out of the deal in that the LIPA deal covered -- those were LILCO properties that are now in KeySpan's portfolio or in a subsidiary of, and didn't the LIPA deal extend an option to all LILCO properties?

MR. KESSEL:

Yes, but there are two separate options, George. One is the first option is for the power plants and the footprints so that -- on which the power plants situated. The second option, which is not affected by any of this is a 99 year option to lease any of the land around the power plants.

LEG. GULDI:

To lease or to buy?

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MR. KESSEL:

Buy or lease. But or lease that land. And that option will continue and would have continued whether we own the plants or not. In fact, we've already exercised that option for a number of areas for the summer, not only for the ten units that we're building, but also for the cross-sound cable out at Shoreham.

LEG. GULDI:

So those ten -- so those ten units and the land will be LIPA property?

MR. KESSEL:

Not all of them. I think most of them will be, right? Aren't there a couple where, Sam?

MR. KLIMBERG:

They will -- they will all be LIPA property.

MR. KESSEL:

We're leasing some of though, aren't we?

MR. KLIMBERG:

We will be buying all and then leasing property to the developers.

LEG. GULDI:

See, I find myself in the odd, very odd position of agreeing with Richie Kessel, after years of never being able to say that. It just struck me that because of the power supply agreement and the options, the fair market value to the world of the KeySpan former LILCO

properties is less than it would be if those agreement didn't exist. So here LIPA is, in my opinion, faced with the difficult choice of do we or do we not buy land on Long Island at a discount. And on the simple principle of they're not making it anymore in the words of Mark Twain, you'd be nuts to have not exercise the option. Fortunately for me, Newsday's editorial then came out and said that you shouldn't exercise the option, and I really found a great deal of solace in Newsday disagreeing with me, it made return to a sense of normalcy. But the criticism of Newsday's position was they basically thought that the -- I'll sum it up, that the plan for what you're going to do with the plants after you buy them was somewhat harebrained. If that's the criticism, that's a LIPA Board and LIPA Management issue, not a question of whether or not you buy land below market. Particularly, when you can tax-free finance at bond rates.

MR. KESSEL:

I agree.

LEG. GULDI:

So given that, what are we doing talking about extending this option for two years? Give me an economic, not a political, but an economic rational for doing that. Because even if you decide that you want KeySpan to continue to own some, all, part, joint venture, third parties, or otherwise, you can always sell it back to them if you buy it.

MR. KESSEL:

The answer is, I think, is very simple from an economic perspective.

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If I had my druthers this year, I would have -- I would have recommended if the option were we can do whatever we wanted with the power plants, I wouldn't have brought all the power plants right now. I think some of them are worth more than others. And buying the plants and selling them back to KeySpan is not likely to occur. You know, six months ago, your idea of maybe taking them and buying and selling to someone else would have been a great idea, but now, you know, with Enron, you know, no companies can get financing to purchase or build power plants. So the market changed considerably. So putting off the decision will allow us to, first of all, take a look at repowering. We've done a repowering study that we're taking a look at now, both LIPA and KeySpan, to look at which of the plants are more likely to be repowered. And then kind of make an economic determination of, you know, would it be cheaper for KeySpan -- I mean, here are the options; KeySpan takes a plant -- let's, hypothetical, Port Jefferson. KeySpan takes Port Jefferson, repowers it, the capacity has increased, it's much cleaner, stays in the same footprint. KeySpan then keeps that repowered plant. Option number two, KeySpan sells Port Jefferson to LIPA, LIPA then repowers that plant at a cheaper cost because we use tax-exempt financing, we then retain KeySpan to run the Port Jefferson plant for us. Option number three, KeySpan accepts Port Jefferson to LIPA, repowers it and brings in another company to own it and/or run it. Option number four, KeySpan repowers Port Jefferson and keeps owning it itself, and we decide that we want to purchase -- and I'm going to again, this is a hypothetical, George, but just for the purposes of discussion, Northport. So the economic arguments of taking a look at repowering in the context of everything and trying to draw all that in makes the -- in my view, makes the sense to extend the option to look at these

alternatives. We are just taking the option. And extending it for three years, for the purpose of extending it, I don't think we would have done it. But the notion that the agreement in principle that we signed with KeySpan specifically provides to look at all of these alternatives like repowering, like LIPA buying some, but not all of the plants, like bringing in other companies to own some of the plants is what convinced me from an economic perspective that we should make the extension.

LEG. GULDI:

Well, I've got two problems that I'd like you to address. One is how do you deal with the fact that we're currently in an environment -- let's call it a 40 year low in interest rates, and when is the money ever going to be cheaper than it is today since it is clear beyond per adventure that the market's going back up, not down further?

MR. KESSEL:

Well, let's answer that first. You have to balance off that environment with Enron. And I'm telling you now that there's no company -- I wouldn't say no, there is almost no company that can get financing to build or operate or repower a power plant unless they get 100%, you know, commitment from LIPA on Long Island that we're going to take the power from that.

LEG. GULDI:

LIPA has that commitment from itself, so that's not a factor.

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MR. KESSEL:

It is a factor because the world can change in a very short period of time when it comes to power plants. And while interest rates may go up a little bit, they may go down again too. Look, we benefited from lower interest rates, that's why rate reductions were so significant.

LEG. GULDI:

The world changes though, we're in the soup anyway, because we're on 30 year bonds.

MR. KESSEL:

Let me just say something to you. If I were going to make a decision to purchase or build or repower a power plant today, I'd try to hold off based upon the uncertainties in the market place. You have large companies, national and multi-national companies, some of whom want to build plants on Long Island that are cancelling projects all over the country and the world. This is not the climate that I would want to do this. And so the notion that we could make these decisions backing away from this climate makes a lot of sense to me.

LEG. GULDI:

Isn't that whole argument totally contrary to Richie Kessel's -- let's call it half hour long description of the power crisis on Long Island and the fact that we need to move immediately this summer, next year and before the option expires, 2005, for new power plants and new power sources which could and most logically should be from the sites that are currently owned by KeySpan and are the subject of this option?

MR. KESSEL:

No. Because we have -- we -- let me tell you how brilliant -- and I know you're going to love to hear this -- how brilliant the Governor was when we did the LIPA deal, and everyone in Suffolk, oh, how could you enter into a long term contract with KeySpan to purchase the power to fix costs, competition is going to come, the prices are going to come down, and blah, blah, blah, blah, blah. Well, let me tell you something. Thank you, Governor Pataki, because he entered into a long term contract with KeySpan, I know that on the hottest days of the year, we maybe close to the precipice, but that I'm going to get guaranteed power at guaranteed fixed prices other than fuel from the KeySpan power plant. I'm going to tell you something, so that we've got that guarantee there, that I wouldn't wanted to give up frankly for anything.

Had we not -- by the way, had we listened to some of the critics out here who said, you know, don't do a long term contract, go out in the open market, not only would the lights have gone out by now, the rates would have gone through the roof. So I'm happy, George, with the arrangement we have. I don't think -- I don't think that LIPA owning the plants or KeySpan impacts our reliability at this point. I think that we need to recognize the following: Long Islanders don't want power plants built, but they want the electricity from them. And if we can't build a wind mill on Shelter Island, I'm not sure that we could build power plants in Commack or Yaphank. So the -- in my view, the biggest answer to additional generation on Long Island is repowering. And I think we need to take a look at it. Had we been

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able to take a look at it intelligently for the last year maybe we could have done something now with this option. Although we would have had to change the option anyway. But I think it's good that we're stepping back, and we're saying, okay, we've, you know, got repowering, it's a new technology, it's just coming into vogue, it's a little difficult to finance right now, but we probably could do it, let's take a step back and be rational and prudent. So I'm very happy with the decision that we made.

LEG. GULDI:

Well, I'm concerned --

MR. KESSEL:

We haven't made it yet, I should say that. The Board has to vote on it.

LEG. GULDI:

The Board has to vote on it, and what you have agreement is a -- at the moment, an agreement in principle to a document that the lawyers are working on. And one of the things that I'm very concerned about, as I'm sure you are, is to what extent, if any, are you besides pushing the clock forward, giving up any rights under the current option that LIPA may have?

MR. KESSEL:

That's a good question. The answer is we're not giving up any rights that we have, and I think we're going to ultimately make the option better because we can do different things with it that I don't think we thought about in 1997 and '98. You know, the LIPA deal was an extraordinarily complex deal, and, you know, there are -- there are -- there are -- had we -- had I known today -- then what I knew today, I

would have fought for the option to be written in a different way, which would have given us the opportunity to buy some, but not all of the plants, which would have given us the opportunity --

LEG. GULDI:

Now you're trying to rewrite history. You just argued we shouldn't go there.

MR. KESSEL:

Here's the answer. So the question is do we go forward, exercise the option, or do we take a step back, keep the option -- by the way, the option rights will be -- if the -- I think you're getting to an important point, that is what -- you know, are we preserving our rights under this option if we don't come to an agreement that is the same as what we have now, and the answer is yes. In fact, I'm going to go a step further. We -- as you know, as part of the extension, we have agreed to extend KeySpan's management services agreement for an additional 30 months. And that will have to get outside approvals. And it may be that it won't get approved. I believe it will and it should. They've done a great job in running the system for us. So -- but if they don't get approved --

LEG. GULDI:

All -- all of which you need to do before the drop date on the option or no?

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MR. KESSEL:

No. No, we don't. We're still working on the agreements, but we will have time outside of the option to go forward with KeySpan to try to get management services agreement extended and approved by the Comptroller and others. If ultimately we don't get those approvals, and I expect we will, but if ultimately we won't, we will have sufficient time when the option expires -- the new option expires to exercise the same option that we currently have.

LEG. GULDI:

Well, I have to admit that I really do enjoy fencing with you. It's more fun than most other testifiers here. And while I still feel disquieted by my fundamental agreement that when you can buy land at reduced cost with government financing, you buy it and are a fundamental agreement on that principle. I do have to say that you've given me much solace in that I don't agree that there's an economic justification or consistency with Long Island's current power needs to defer the option for two years, and I think you ought to do it now. And having established a base level of fundamental disagreement with you, I think the world has returned to normal. Thank you.

MR. KESSEL:

Thank you.

CHAIRMAN COOPER:

Richie, I did want to move before too long to the issue of repowering because I think it's critically important, but I first wanted to touch on questions related to the 5.8% fuel surcharge. I assume that you're familiar with LIPA's tariff leaf Number 166, which governs LIPA's fuel and purchased power cost adjustments. When is the last time that that tariff leaf was amended? Do you know off hand?

MR. KESSEL:

I don't think we have amended it.

Mr. KLIMBERG:

It may have been amended in 1999.

CHAIRMAN COOPER:

I thought it was also amended in February of this year, January or February.

Mr. KLIMBERG:

If you have -- if you have it as amended.

CHAIRMAN COOPER:

I was wondering whether LIPA published a notice in the New York State Register indicating that LIPA was planning to amend this tariff?

Mr. KLIMBERG:

We follow all the stated -- administrative procedure act requirements whenever we make a modification to our tariffs.

CHAIRMAN COOPER:

And did LIPA conduct any public hearings on the proposed amendment?

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Mr. KLIMBERG:

I'd have to refresh my recollection on the amendment, but we don't have to hold public hearings on certain amendments. Our obligation to hold public hearings are limited to rate making changes.

CHAIRMAN COOPER:

Is it correct to say that this tariff leaf 166 defines the cost that can be included in LIPA's fuel and purchased power costs?

MR. KESSEL:

I don't have it in front of me. I don't memorize all of our tariffs like George memorizes deeds. But I'll take -- if it does, it does.

CHAIRMAN COOPER:

Well, included -- I won't read from this tariff leaf, but according to this leaf, the cost can include a number of non fuel related cost, transmission wheeling charges, charges for scheduling system control and dispatch, bill credit adjustments, etcetera. What is LIPA's justification for including more and more non fuel related charges?

MR. KESSEL:

First of all, these are items that directly relate to fuel cost, and most utilities include them in their fuel adjustment costs, but let me say three things about the surcharge. Let's get to -- I know where you're going, so let's be simple about this. You're -- some people are contending that we're loading things into the fuel adjustment clause so we don't have to raise base rates. To some extent, that's true, because -- right, Diana points out to me that it's not just for fuel, but for purchase power as well. And some of the things that you just mentioned relate to purchase power. But the bottom line is if you -- first of all, I find it ironic that the Suffolk Legislature is talking about hearings on fuel. You approved 150% increase in the surcharge in our bill and didn't give me a chance, or anyone, to testify against it.

Now, the first thing is, you know, we all -- I understand, you know, everyone likes to, you know, criticize everyone else and etcetera. But I have to tell you in my view, that I don't think the Suffolk Legislature has much credibility criticizing LIPA for its fuel surcharge when it took the fuel surcharge -- the fuel surcharge that you have, the tax surcharge that you have on our bill and took it up 150% without the benefit of a public hearing, without letting me come before the Legislature and testify against it. And by the way, I would point out that that 150% increase is not in any way directly related to electricity at all. It's related to balancing your budget off the backs of our customer so that you don't have to take the responsibility for, you know, some of the costs that you have.

By the way that's how governments like to do things, I understand that. But I have to say, you know, because I knew this question was coming that you've got to keep your own house in order first. And I believe that that surcharge should never have been increased. In fact, it should be repealed, because -- and it has nothing to do with the sale of electricity, and I have to collect this money through our bills to benefit your County, that's wrong. If you need to raise more monies, tax the people, don't put it on the backs of our customers

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through electric bills.

Having said that, our fuel -- our fuel surcharge represents a portion, over two years, half of -- of what we believe relates to fuel cost. Now, I could take -- you know, we could change our tariffs and simplify it and transfer some of the things that are currently in our fuel surcharge or in our fuel adjustment clause over to base rates. However, if I did that, we would then have to raise base rates and probably couldn't absorb some of the cost that we're currently absorbing. So when people say -- it's all because I understand they want to hear -- they think we should have a hearing, and, you know, frankly, I didn't get one letter on the fuel surcharge directly. I got Gordian Raacke gave me two or three letters that he go addressed to me. I haven't gotten one letter from a customer on the fuel surcharge, the fact that we just continued it this year, not one letter. I did get a number of letters about the Suffolk surcharge from your own constituents.

But here's -- here's the point. If we were to -- if we were to, you know, take some of these things that you feel are not related to fuel, that we feel that are and put them in base rates, it would mean a rate increase for our customers. It would not allow me to absorb some of the higher fuel costs that we're absorbing. So I'm very comfortable with where our fuel surcharge is. It's a non issue as far as I'm concerned with our customers. There's some people who feel that we could have a hearing -- first of all, LIPA has -- unlike the Suffolk legislature, LIPA had three hearings on our surcharge. When we decided to -- and we didn't raise it. We continued it this year, last year we implemented it, and we had hearings. This year we didn't do anything with it other than keep bills the same, we still had three public hearings. By the way, to be fair about it, almost no one showed up at any of the hearings, but we held them. And I would -- I would be very much opposed to taking the fuel surcharge and making it smaller, taking some of those items out and putting them in base rates because we'd have to raise electric rates. Why would anyone want to

do that? It doesn't make any sense to me.

CHAIRMAN COOPER:

Now, I want to get into this issue a little bit further, because as you noted, this is a concern to the Legislature. The PACB passed a resolution in '97 that imposed a number of conditions on LIPA, as you know. And the Board of Trustees approved via a resolution in August of '97 that accepted all of the PACB conditions. Project condition number five of this resolution stated, and I'll quote from part of it, "LIPA will not implement an increase in average customer rates exceeding 2 and 1/2% over 12 month period without approval of the PSC (sic) following a full evidentiary hearing". It's also true that another PACB condition, number four, which covers a 14% rate reduction guarantee over ten years does specifically exclude certain extraordinary events such as, and I quote "a precipitous rise in oil prices", but project number -- project condition number five does not contain any such exclusion. Did LIPA impose this 5.8% temporary fuel surcharge despite the promise by LIPA and Governor Pataki that rates would not change for at least five years?

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MR. KESSEL:

The answer is -- three simple answers. One, we did increased rates. We increased bills through the fuel surcharge. Had we not done that, we would have gone bankrupt and downgraded to junk. So if you want to criticize us for that, that's fine, number one. Number two, we informally asked the PACB last year whether a fuel surcharge based solely on fuel costs would count as a rate increase as defined by the PSC, which was the answer no. So had the PACB felt that we were violating their conditions, they would have -- they would have required us to go to the PSC. We asked not only the PACB, but we asked the Public Service Commission. I asked Maureen {Elmer} at the time, "Do you believe that we need to go to you on this surcharge for a hearing"? She said, "Absolutely not." So based upon that, we didn't.

Third, you know, and again, I have to say this to you. Here's what you should be happy about. In the last two weeks gasoline prices in this County have gone up 14 cents, your electric bills are not. And if the gas prices go up 50 cents this summer, your electric bills are not. That's what you should focus on. And it amazes me how everyone likes to jump on the fuel surcharge when the prices are going down. And, you know, I heard from some people last fall including some on this Legislature about, you know, the fuel prices are coming down and why isn't the, you know, the surcharge coming down. And we tried to explain that it takes a look at fuel costs over a year's period. So bills don't go up and go down at the same time. It's interesting that no one is now asking me to raise the bills because fuel prices are going through the roof right now and could go up much further before we hit the middle of the summer.

So that in my view ought to be the focus at this point. If you want, we can have hearings about that. We can have hearings about why isn't LIPA raising bills now when fuel cost are going up. But it's only popular to talk about this when fuel costs are going down. It works both ways. If you want, by the way, Jon, we could look at a fuel adjustment clause every month that tracks fuel costs. We'll put -- we'll put more into base rates so we'll have a rate increase, and then every month, we'll change the bills, like LILCO used to do and we'll

pass through 100%. Number one, people will pay more. Number two, during the summer when bills go up 40 or 50%, you ain't going to be happy. And that's what happens around the state and around the country at Con Ed all the time; July, August, September when the cost particularly of purchased power goes through the roof. You know, that's why people get Con Ed bills in the summer and early fall that are higher by 40 or 50%. We -- we're not going to do that. I would oppose any effort to do that.

I think the way things are in terms of what's in our fuel clause and, you know, what's in your base rates is working just fine. I will say, however, though that when our rate freeze expires at some point, right know we have a rate freeze on base rates until May or through May of 2003. I've publically said, and I will say here, if we can extend it further, we're going to. I don't know if we can yet. It would be an extraordinary achievement. Right now, I think it would be very tough. But we're going to see if we can do that. But once we -- once we, you know, end the freeze on base rates, I think we should take a look at

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the fuel adjustment clause and see what's included there, vis a vis, what included in base rates, maybe make some adjustments. But I want us to be careful because, you know, if what we want to do is take things out of the fuel clause and put them in base rates, for the sake of having a hearing, only to raise rates for every customer, that would be idiotic. And I'm not going to be part of that.

CHAIRMAN COOPER:

Richie, could you explain how LIPA arrived with the 5.8% figure.

MR. KESSEL:

You mean last year?

CHAIRMAN COOPER:

Correct.

MR. KESSEL:

Truthfully we looked at what -- we took a look at what our higher fuel costs were for the year before above base rates. And it was about \$307 million in 2000. Remember that our surcharge is for the year before, a 12 month period. So in a 12 month period proceeding that, we took a look at what was included in our base rates and what our fuel cost were. And again, it's not just oil and natural gas, it's purchased power. We exceeded our base rate budget cost by \$307 million. So then we took a look at, you know, if we passed through \$307 million as we're required to do by our tariff right now, LIPA's tariff that -- you quoted part of the tariff, I'll give you tariff. I know our tariff requires us to pass through 100% percent of our fuel costs. That would have been a 13% surcharge on bills for 12 months. And I'll be damned if I was going to sit there and do that to Long Island at a time when, you know, our economy was strong and we didn't want to hurt it. So we took a look at a whole host of different scenarios, and we decided -- by the way, Diana Taylor who is sitting next to me is my Chief Financial Officer, was not happy with this decision, and she'll tell you herself. She can speak for herself. You know, neither was Wall Street, because -- but I made it -- I felt that -- that we need to pass through as little bit as possible. The 5.8% figure was arrived at, in my view, as the number that we could get away with that we would pass through as little as we

could to our customers, but at the same time, not destroy our financial integrity.

Now, this year we have the same debate. Our fuel costs were higher not by as much, they were higher by -- you understood this year means last year, by \$200 million. And boy, I was tempted to drop that surcharge down. And I had Legislators come to me and say, you know, if you'll drop it down by half, we'll have a great press conference and, you know, we'll praise you for it, and blah, blah, blah. But -- and I wanted to do it. Diana will tell you I looked at -- I'll tell you what the options were I looked at; taking the surcharge and leaving it at 5.8, bringing it down to 4.5, bringing it down to 3.8 or bringing it down to zero. And we looked at that, and while I desperately wanted to bring the surcharge down this year, I think it would have been a political decision that would have hurt us financially in the future. And I made the decision to keep it. Now, even in keeping the surcharge, we're absorbing about \$72 million of

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the \$200 million in over charges this year. We are absorbing less percentage wise this year than last year, but we're still absorbing, you know, 72 out of \$200 million ourselves.

But, you know, ultimately, Jon, it's, you know, you make the decision based upon, you know, in my view, you know, the benefit -- how can we help our rate payers. Something LILCO never did, LILCO just passed the sucker through. Over 90 days, 100% went right through to the customers, and we didn't want to do that. And the other -- you know -- but you have to balance that with your financial integrity. I will tell you this, had we -- had we eliminated the surcharge this year, as some wanted when prices were going down last year, but again, now, the whole world has changed in just three weeks, you know. But I think we would have destroyed the future financial stability of LIPA. So I think we had to balance both of those considerations, and that's how we came up with the numbers for last year and this year.

MS. TAYLOR:

Can I just add one thing to that?

MR. KESSEL:

Yes.

MS. TAYLOR:

We went through a calculation to see how much we needed to pass through in order to pay all -- I'm sorry. Went through a series of calculations, as Richie mentioned, and the bottom line is that LIPA is a state agency. The only place we get money to pay for our expenses is through our rates. And if we do not charge as much in rates as we need to pay our expenses, that money has to come from somewhere. Well, there is nowhere else for it to come from. And the calculations that we went through to come up with 5.8% was the one that left us at the end of the day after having paid all of our expenses and covered all of our costs with something called a rate stabilization fund, which is \$250 million, which we are required to have on balance at all times. So there was a scientific way of doing it. It was the lowest number that we could come up with and cover all out expenses. And as I said, if you don't pay for it now, if the rate payers don't pay for this fuel now, they're going to pay for it later. There's nowhere else for the money to come from. And the way they pay for it later is

that the debt outstanding remains outstanding for longer. And the rated payers needs to pay interest on that.

The other way they would pay for it is to the extents that we don't cover all of our costs now, and the financial markets do not look at that particularly well, and they either downgrade LIPA, which increases the rate of interest that needs to be on that debt. So there's no free lunch here.

MR. KESSEL:

Let me just add, Jon, that the rating agencies, you know, look at us very, very closely and very, very carefully, and I think that had we lowered the surcharge, I think we could have gotten away with it for the time being. Had we eliminated the surcharge -- I believe we would have. We -- we talked to the rating agencies, and I don't think that this alone would have resulted in a downgrade. However, had we

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eliminated the surcharge, I think we would have been downgraded immediately. And that would have hurt us financially for the long run.

CHAIRMAN COOPER:

Before I move on to the next question, I want to make it clear that I was not one of the Legislators that reached out to you and offered you a joint press conference if you lowered the surcharge.

MR. KESSEL:

You were not.

CHAIRMAN COOPER:

Richie, can you explain what LIPA plans to do to attempt to mitigate high electric rates in 2002.

MR. KESSEL:

Yeah, we're going to keep our bills the same. I think I outlined that. We are -- our bills -- again, absent -- I mean, I hate to say this, it's a terrible thing to say, but I will -- I mean, absent a world war or a world catastrophe of unprecedented proportions, our bills will stay the same this year as they were last year. And I don't know of anyone else who can say that, almost anyone else who can say that. Can you say it? Can you say that taxes in Suffolk County are going to be the same this year as they were last year? Can Nassau County say it? Can the insurance company say it? Can Verizon say it? Can Cablevision say it? The fact that I can say to you that our bills, everything, will not increase at all for the next 12 months, at least, I think is an extraordinary accomplishment. And you have my word on that?

CHAIRMAN COOPER:

Has LIPA done an analysis of projected fuel and purchased power cost for 2002? And if you have that would be able to share that with the committee?

MS. TAYLOR:

We have projections out for the next ten years. And I believe those projections are in the briefing book that we presented to you the last time we were here. I don't have it with me right now.

MR. KESSEL:

We'll get you that information.

CHAIRMAN COOPER:

Thanks. Can you also explain a bit about measures that LIPA's taking to diversify it's fuel source portfolio.

MS. TAYLOR:

I think that that's more a clean energy initiative question. We -- the power plants that KeySpan runs, which we contract with are all fossil fuel plants; oil and gas, some of them are dual fuel plants, and some of them are single source. There's not a lot we can do about that other than try to increase the wind and fuel cell and other types of --

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CHAIRMAN COOPER:

Well, that was my next question. What are you doing right now to reduce your reliance on fossil fuels?

MR. KESSEL:

Well, as I said, we're spending \$37 million this year -- we're spending \$37 million on our clean energy initiative. The Governor committed to 170 -- actually, 160, which we then added ten million to, and we will do that and more as we go over time. I know there are some people who suggest that we should spend as much as money as we spend on -- on fossil fuels for clean energy, which is just preposterous. I mean, it's just -- we wouldn't be able to run the power plants. The only reason we need to but natural gas and oil and purchased power is to keep the lights on, that's all. Other than that, we're fine.

But the truth is that we need to do more on clean energy. And I think one the things -- you know, we're spending \$37 million this year, I wish we could spend more. And we're doing a lot of things like fuel cells and wind mills, and we are doing peak load reduction this summer that is going to -- we're going to try to get 200 megawatts out of peak load reduction this summer, which is extraordinarily high, but we're going to get there. We need to get there to keep the lights on. So we're doing a lot of this, but I have to tell you, we're not getting a lot of help. You know, and I have to be honest with you about it, and it bothers me, people think we're not doing enough in these areas, and maybe they're right. You know, we can always do more, but the little that we are doing, according to them, we get no help. Every time we want to site a windmill somewhere, people oppose it. Shelter Island, we wanted to put one windmill on Shelter Island. The whole government on Shelter Island said yes, everyone agreed to it, then a new government was elected, some guy wanted to buy some property out there and said he won't but it unless we don't do the windmill. Well, the windmill's gone. Not one environmental group stepped up and said to me that's outrageous, I want to help you get that windmill sited.

We had the same problem in Montauk. We tried to put three windmills at Camp Hero next to the Montauk Lighthouse, because in order to get wind energy, we have to get one windmill. Before we have 100 of them, we need one. So I said, let's build three windmills next to the Montauk Lighthouse at Camp Hero, which is a beautiful park, but also a

super fun site. And you know Montauk very well, I'm sure all of you have seen it. You look out and you see a rusted old radar tower. We want to put three windmills there to provide the electricity for the lighthouse. What a great notion, the gateway to the United States of America having windmills at the Montauk Lighthouse. Four or five people in Montauk got up and said it's a terrible thing, don't put them at Camp hero, put them somewhere else. Some of the groups that wanted us to do the windmills there went around and backed the critics, and the windmills never got built.

We have the same problem with solar panels. Everyone wants solar panels, and we want to do a lot more on solar energy. And we're looking at broadening -- we haven't done enough in solar energy on Long Island. We should do more, but we get complaints from people,

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don't put the solar panel on that house because it takes down the property value, it's ugly, it takes down the property value of other homes on the same block. And before we talk about, you know, getting more clean energy money, we need -- we need the Suffolk Legislature and the environmental community and the Nassau to stand behind us and help us site one windmill, one windmill. Now, here we are -- and I'm going to mention it to you, because it's important -- we want to build some windmills out on the East End this summer. We went to the Long Island Farm Bureau, and they deserves a lot of credit. We said, let's go to the farmers, what a perfect place to put windmills, we'll, you know, lease the windmills, we'll give you some electricity for free, we'll work this whole thing out. We've now selected four or five farms. But now there's such an -- one of the issues that we have to deal with is Suffolk County's Land Acquisition Programs and some of rights that Suffolk County has to some of this land in the future. And they may, because of that, not let us build the windmills.

So, you know, everyone wants windmills built as long as it's not near them. I just got a letter from someone today who told me we should build generators in the ocean. And by the way, we're looking at that. We've contacted a company, Wave Gen. There aren't -- you know, there are no wave generators in -- in the North America. There are a few, I think, in Scandinavia --

CHAIRMAN COOPER:
Norway. I think, off the Coast of Norway.

MR. KESSEL:
Right. So we said, let's take a look at maybe doing some -- some of that, and we are looking at that. Although, the technology is years away from having any practical widespread use, but we're going to look at it. But the guy who wrote me, I just answered the letter today, Mr. White of Suffolk County -- because I remember that I just dictated a letter -- he said the reason he wants wave generators is because he doesn't want windmills because windmills stink, and, you know, they kill birds and they do all these things. You know, the problem is no one wants anything anywhere. And it's not just power plants, it's windmills, it's fuel cells, even solar roofs, shockingly as it may seem. So we really need your help to help convince Long Island that these alternative technologies can, you know, do wonders for Long Island. They reduce our reliance on oil and natural gas. And, you know, for every windmill that we build, you know, maybe it's only, you

know, 50 kilowatts or 150, but it reduces us -- the amount of fossil fuels that we use, so that is critical. It's takes leadership.

It's the easiest thing. I did it for 20 years, I did it better than anyone, which is why I got stuck in this position to begin with. You know, it's easy to get up criticize, you know, LIPA, LILCO or anyone, but when -- when the company says, okay, we want to do windmills, and you don't come and stand with us, that says something to me. And I know there is some environmental leaders who have done a great job, and they should be pushing us hard, but I'm all for, you know, environmental groups and watchdog groups out there pushing us. But I'd like to hear one -- I say this all the time. I would like to get one call from one of them saying, you know what, Richie, we're going to help you put a windmill on Shelter Island, we're going to help you

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put a fuel cell in one of the town halls, you know, we're not going to let the NIMBY, you know, on power plants extend to alternatives technologies. And I'm -- frankly, I'm sitting here disappointed that no one, no one has offered to help. But I'm going to do it anyway. I'm going to get these windmills up no matter what it takes, with or without help. So I think we need to push much harder on that, but public acceptance, Jon, is critical. And frankly, we don't have it right now, and we need it.

CHAIRMAN COOPER:

I can't disagree with anything that you're saying. Please, I'll hope you'll get in touch with me.

MR. KESSEL:

If we have problems with Suffolk County on some of these windmills that we want to put on some of the East End farms, and we want to get them up for this summer, I will call you.

CHAIRMAN COOPER:

You know, I worked with, I believe, it was Bill Richardson and others about the possibility of finding a County site to put wind turbines on, and I haven't given up on that. It's not easy, as you said, but I'd certainly like to --

MR. KESSEL:

Well, I do want to just point out that we did do something right over here just east of this building. We took the Blydenburgh Park and made it a green park, it's one of the first green parks in the State of New York. And we, you know, instead of having gas and oil, we've got electric powered equipment and vehicles. And we've reduced the pollution in that park. And, in fact, I talked recently with the new County Executive in Nassau, Tom Suozzi, about doing the green park in Nassau County as well. And I very much want to commend Suffolk County and the Legislature and particularly Legislator Crecca, if I remember correctly, who came up with the idea of let's take a park in Suffolk County and make it green and reduce the emissions from oil and gas, and we did it at Blydenburgh Park right next door. I'm very proud of that, and I commend this Legislature and Andrew Crecca, even though he's not here, he used to be on this committee, I think, for that vision, because frankly, we should do it in other parks around Long Island.

CHAIRMAN COOPER:

Approximately what percentage of your energy generation currently is from your renewable energy sources? Ballpark.

MR. KESSEL:

Well, I'll give you a ballpark estimate, probably a couple of percent, total.

CHAIRMAN COOPER:

And how much of that comes from hydropower?

MR. KESSEL:

That's -- I'm not including hydropower in that. We do get -- if you include hydropower the number is going to go up. We do get hydropower

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as part of the mix that we import, but you don't know on any given day where you're getting the energy from. Part of the problem with hydropower is we can't get it here, which is why this new cross-sound cable will be helpful in opening up, you know, Canada and Upstate, New York to get some of the that hydropower to Long Island. But if you're talking about hydropower, that number's going to be significantly higher, because I'm sure there are many days throughout the year where the imports that we're getting include significant portions of hydropower.

CHAIRMAN COOPER:

And finally, can anything further be done in the short term by LIPA to promote energy efficiency on Long Island that you're not already doing? And do you have any steps that are planned that you're going to be taking in this area?

MR. KESSEL:

I think we're doing a lot, but I think we could -- I'll tell you the areas that I think we could be doing more. Number one, I think we need to try to find ways to give more rebates for more appliances. To me, you know, one of the appliances that costs the most energy use in a home, air condition is number one, and we're doing a lot on air conditioners. We've got this bounty program that the Governor started that we're doing on Long Island. By the way, 35% of all the air conditioners turned in in the state last year were turned in here in LIPA service territory. But some of the other appliances, Jon, that we have; refrigerators, dryers, dishwashers. Right now, we don't really have rebate programs for those, And I think we ought to try to get them. Obviously, there's cost involved that we need to do. But I don't think we're doing enough in terms of rebates for energy efficient appliance other than, you know, air conditioners and front-loading washing machines and lights. We're doing more on lighting than any other utility in the country. So I think we need to increase our rebate programs to include other appliances.

Second of all, I think we need to do more in the solar area. And I'm pushing hard to do that, and we've done some good things this year, we're going to have 50 new roofs, but 50 roofs, what does that mean on Long Island, where we have hundreds of thousands of homes and structures. It's just not enough. So I think we have to look at ways to enhance our solar program. As I said, we're increasing the rebate on solar energy. One thing we ought to try to do, and maybe you can help us, Jon, is get some solar manufacturers out to Long Island. One

of the problems we're having is getting solar panels manufactured to get them here. And so I think we could do more in the area of attracting manufacturers who make solar panels to Long Island as well. Those are some of the areas I think we can be doing more on that we're not doing enough on.

CHAIRMAN COOPER:

Thank you. Before I move to issue of repowering, I believe that Legislator Lindsay and Legislator Nowick had some questions.

LEG. NOWICK:

I'm not on the Energy Committee, but I have heard you speak before. And when I heard you we're coming, I did want to hear you again. I

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think I'm missing something with these windmills. I have lived in Suffolk County, St. James, all of my life, sounds to me like windmills would be perfect for the East End. What am I missing? Are they ugly? Are they too big? Are they -- what am I missing here?

MR. KESSEL:

Well, I think, again, I'm for -- I agree with you, so you and I agree and we're trying to get them sited. Why do people oppose them?

LEG. NOWICK:

What is it? Are they too big? Are they --

MR. KESSEL:

There are three reasons that I've heard. Number one is they kill birds. Number two, that they're ugly, and they shouldn't be sited in pristine areas, the Montauk example was not so much that they kill birds, although that argument did come up a little bit, but that Camp Hero, which is the park next to the Montauk Lighthouse was supposed to a state preserved park with no development, and putting windmills on that would violate the development of that park. We then -- the group then said they would find another location in Montauk, and we said we'd look at other locations because -- and they never came to us with any other locations. The other thing is -- is site. Now, here's a great example. We are working with STAR, the environmental group and Scott Cullen, and they do a terrific job. I have to tell you they are one of the few environmental groups that I know of that, you know, sometimes puts their money where their mouth is, and they do a great job. Am we're working with them and NYSERTA, New York State Energy and Research Development Authority, to take a look at offshore -- an offshore wind farm, you know, four of five miles of the South Shore in the Atlantic Ocean. And one of the things I told Scott Cullen a week or so ago is if we find that this is feasible, and I think we will, I want to see the environmental group sell it. Already I'm hearing from people who've read, you know, about the study how could you put windmills off the beach, there's no way, I'm not going to look out of my home and look at a windmill, I don't want to look at it. The guy on Shelter Island said he simply didn't want to look at a windmill. And it was -- he was buying, I think, 60 or 70 acres of land. He didn't want to see a windmill on Shelter Island. So it's visual, there are all different reasons that people come up with.

LEG. NOWICK:

Do they have a plant? Is it just a windmill or if there a big plant around it?

MR. KESSEL:

No, it's a windmill. It's tall, but it's very thin. The windmills that, you know, you make picture, we can get you some pictures of windmills -- Bill. Is Bill here? Bill Davidson. Okay, Bill, if we get maybe pictures of windmills to all the Suffolk Legislators, we ought to show you them. They're different then what they used to be. They're very thin, they're very tall. And they really -- it's not these huge wide blades anymore. They're very -- they're very small and compact, but they are very tall. And basically, they take up less than two acres of land for one large windmill. So there's no big plant that's there. All you really need is the windmill and the

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ability to hook it into the grid, and that's all you need. There is no power plant that has to be build with windmills.

You know, people all the time say, you know, I just went to California -- I didn't, but people say this -- and I went through Palm Springs, and I saw hundreds of windmills, why can't we do it on Long Island. We can't build one. And people think we should build hundreds of them. If you find a site that -- that you feel we could put windmills that -- where there's wind. By the way, there has to be wind.

LEG. NOWICK:

Well, Montauk would be the place.

MR. KESSEL:

It is, it's the perfect place. There aren't a lot of -- by the way, this is interesting. There are a lot of places on Long Island where you can't site windmills because they don't work. I'll give you an example. When Tom Suozzi was the Glen cove Mayor he wanted us to put some windmills in Morgan Park in Glen Cove. And we looked at it, and we couldn't site it, there is not enough wind. If we wanted to put a wind farm in the Long Island Sound -- and by the way, I guarantee there are going to be people when we try to put these windmills off shore are going to say, you can't disturb the fish, the marine life, you can't put them there, put them over there. And, you know, we had the problem with oyster beds in Connecticut, can you imagine when we put wind mills out there? But one of the things we found is that windmills in the Sound really wouldn't generate enough electricity to make it worth while, because the wind currents aren't there. They do work -- I'll tell you the two prime areas for windmill development on Long Island; off the coast of Jones Beach and the Hamptons. And I want -- we're going do propose it. I'll tell you now, I'm not ready to -- you know, we're still looking at some of the facts, but when we propose the wind farm off the South Shore of the Hamptons, let's see what the people say, and off Jones Beach too. It sounds like a wonderful idea, people just don't wanted to see them.

LEG. NOWICK:

Thank you. I was just curious what the problem was.

MR. KESSEL:

We'll send you pictures, you could take a look at them.

LEG. NOWICK:

I would like to.

MR. KESSEL:

They're beautiful.

LEG. LINDSAY:

Yeah, Richie, I just want to tell you I compliment you on coming here and presenting us with a very entertaining explanation of what LIPA's trying to do. You're -- particularly your characterization of the 5.8 surcharge and almost in the same sentence when the fuel tax went from 1% to 2 1/2%, 150% increase. I think we both have to be honest on what we're doing. We raised taxes, there's no doubt about it. There's nobody at this horseshoe that's happy about that, and I think

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universally everybody at the horseshoe would like to repeal that increase. But the 5.8% fuel surcharge, whether you call it a surcharge or a rate increase still cost the consumer money out of there pocket, it's a rate increase.

MR. KESSEL:

I don't -- I don't argue with that. I think that's true. But again, show me -- and I agree. We can argue about whether it's a base -- base rate increase or a surcharge. You know, the bottom line is it adds to the bill 5.8%. But as Diana Taylor said, what's the alternative. And again, I think it's important to note, and this is something that we'll never get into the paper or on -- I just wrote Lee Tyrrell, my good friend from News 12, because News 12 loves to talk about the surcharge. And every time the price goes down, they want to say, why don't we repeal the surcharge, and I asked News 12 now to do a story about why we're not raising the surcharge when prices are going to go up, and prices are going through the roof for gasoline over the next few months. And we could have a -- we could have a real energy price crisis this summer, it's 50/50, it depends on what OPEC does in June. But I could -- I could tell you something right now, our bills aren't going up. So, you know, I'm not going to sit here and say that our bills didn't go up because of the 5.8%. Of course they did.

But I have to look at the overall state of electricity on Long Island. And I think we all agree on one thing. Before LIPA took over LILCO, LILCO and Shoreham were the number one issue for 20 years on Long Island. And in any poll that I've seen, energy is not a big issue. You know, if the lights go out, that's a different story. But energy is not a big issue. I know -- I know from my mail. I did not get one letter directly to me on the fuel surcharge from a customer this year. Last year I got some, I didn't get a lot, maybe 20 or 30, but that says that, you know, if someone takes the time to write a letter, that's significant. And I wish we didn't have to do the surcharge.

But having said that, the fact again, and I have to say this still again, that fact that I can sit before this Legislature and say with a lot of comfort that our bills are going up -- are not going up this year, it's extraordinary. And it's a great achievement. You know, and so I'm very proud of that. And I agree, we could argue till Dooms Day about is a surcharge, isn't it a surcharge. You know what? The people are not -- the people are not stupid. They know, and, you know, people come to me -- I'm telling you business people, I was in a diner the other night, I had a great hamburger and onions at the Merrick Townhouse in Merrick. And, you know, one of the owners of the

diner came up and said, you know what, my LIPA bill is the best thing I have here, my LIPA bill, you know, I'm saving so much money from what I paid under LILCO, it's not going up, I wish -- you know, can't you do something about my insurance bill or something else. So, you know, I think the public -- I mean, we're -- we're not perfect, but, you know, the public is very happy right now. Otherwise, you'd be hearing it and I'd be hearing it, and we're not.

CHAIRMAN COOPER:

Richie, I'd like to move to the topic of repowering, if I could. Is LIPA conducting right now a review of the possibility of repowering

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existing power plants on Long Island.

MR. KESSEL:

We are jointly with KeySpan.

CHAIRMAN COOPER:

Any idea as to when that review will be completed?

MR. KESSEL:

No. We've got some drafts of the study that we're looking at. I haven't seen it at all yet. My guess is that, you know, it will -- we're going to get a briefing on it in mid April, I think. So again, these are drafts, but I think we're at the point -- I think we're -- and I don't want to say until I've read the report, you know, whether it's good or it's bad or what it says. I don't even know what it says, although I have some concept of what it's likely to say. But I think we're not more than a couple of months away from having some very significant information on the potential repowering of some of the power plants.

CHAIRMAN COOPER:

I have three basic assumptions regarding repowering, and correct if I'm wrong, but, number one, that on average fuel costs would lower per kilowatt hour if the existing older power plants under went repowering and would operate more efficiently.

MR. KESSEL:

Yes.

CHAIRMAN COOPER:

Number two, that emissions from existing plants would be reduced as a result of a repowering.

MR. KESSEL:

Significantly.

CHAIRMAN COOPER:

And third, that additional generating capacity could be added through repowering.

MR. KESSEL:

Correct.

LEG. LINDSAY:

I think something that maybe Jonathan might have left out, and correct if me if I'm wrong, but just avoiding going through the siting process

of siting a power plant on virgin land by using existing, you know, plants that have already been sited as a power plant, whether it be repowering or building additional generators on those sites has to be a huge savings.

MR. KESSEL:

It is. It's not only a savings, it -- the Governor signed a bill recently that actually expedites the Article 10 siting process for plants that could be repowered. So that is expedited. The biggest problem with repowering, and I'll tell you what it is, is timing.

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Because if you're going to repower a plant, you're going to have to take it out of service for a certain amount of time. Right now, obviously, we couldn't take a plant out of service probably from April through the middle of September. And so, you know, in order to do the work that you would need to do in order to keep the plant operational when you need it during the peak time, we don't have enough capacity to knock down any of these plants. You have to do most of the work between mid September and April. And that's a tough window. So that's something we've got to take a hard look at. Because the last thing we would want to do would be to take a plant out of service, repower it, and lose it for the peak season. The lights -- we couldn't afford to lose any plant for the peak season.

So that's one of the challenges. You're 100% right because, you know -- you still have to go through the Article 10 siting process, but it would be quicker. The community -- I mean, I said this in far Rockaway last night -- and by the way, we should recognize that we serve Far Rockaway. You know, if you wanted -- you know what? We don't pay enough attention to Far Rockaway. We're going to do -- we're going to pay more attention to the Rockaways. I found out last night we don't even have a Customer Service Office in the Rockaways, and that's wrong. LILCO didn't for -- LILCO took it away from 20 years ago. We should have a Customer Service Office in the Rockaways, and we're going to open one. And I'm going to find a way to do it, because -- because those are our customer too. But I told the people in Far Rockaway -- they have a power plant in Far Rockaway, in Bays Water, and I saw it last night. And if I could take that plant and make it no bigger, but increase the capacity, lower the cost, and clean up the environment by 50%, how would you feel? And everyone said, that's great, how can you do that? Your way, Bill, through repowering. This is a great opportunity.

CHAIRMAN COOPER:

There is general agreement whether it's the Legislature or the environmental community or LIPA that repowering makes sense, clearly. The primary reason that that has not taken place so far, does it have to do more with the lack of surplus generating capacity or was it more questions related to the GPRA and inability to project what the future would hold as far as that's concerned?

MR. KESSEL:

That's a good question. It's a good -- and I think it's combination of all those. First of all the technology is new and improving every -- every time. And I want to credit the Natural Resources Defense Council and Ashok Gupta for kind of prodding us on this issue a little bit. And he did and is very, very helpful. So you can learn a lot from people who are brilliant and who care for the environment, and he

does. And they do, and they really do a terrific job. And so, I think, some of it's because the technology is new, some of it because we were so focused on the GPRA, I think that's a good point. We didn't focus enough on repowering, although, we are doing that now. Some of it is the timing issue. There is a lot of concern about the fact, and you stated it very well, Jon, that we don't have enough surplus generating capacity to be lax about repowering a project and losing it for the peak season. And we've to figure out a way to do that.

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So I think it's a combination of all of those things, but we're right there in the middle of it. I mean, the fact is that we met -- Bob Catell and I -- and I have to tell you, I have to say this, I don't agree with everything that KeySpan does. Sometimes they cause me a lot of headaches, but boy, they have a great Chief Executive Officer, Bob Catell. And he's a good friend, he's a great guy, he does some very good things. Bob and I met probably six months ago with Ashok Gupta about repowering, and the fact of the matter is that -- that we decided at that point to take a hard look at it. We commissioned a study that LIPA is paying half for and KeySpan is paying half for. And I think we're going to be right in the thick of things. My great Chief Financial Officer reminds me that repowering can be very expensive.

MS. TAYLOR:

There is a fuel cost benefit analyst.

CHAIRMAN COOPER:

Well, I assume -- I mean, there would have to be savings in fuel cost long term if you repower.

LEG. LINDSAY:

I don't mean to be argumentative about it, but if you're using the same infrastructure, the infrastructure is already there for the transmission end of it, the building is there. You don't have to spend tens of millions of dollars on legal fees to go through the full siting procedure --

Mr. KLIMBERG:

If you increase the output of a particular plant depending upon which plant it is, you would have to increase the transmission capability, which could --

LEG. LINDSAY:

Okay. That's fine. But you still have a -- have a basis -- you still have the basic infrastructure from the original transmission.

MR. KESSEL:

The problem is that the --

LEG. LINDSAY:

I mean, if you had to put in new transmission lines, you have to purchase the property, put up new towers, you might have to expand the towers, but it's there.

MR. KESSEL:

Bill, the problem is that the -- there is a Article 10 siting process

that we would have to go through whether we repowered a plant or built a new plant. The only difference is that it would be expedited under -- under the new legislation.

LEG. LINDSAY:

And you don't think it would be easier? Would you rather -- would you rather repower Glen Wood Landing or try and build a new power plant in Yaphank on virgin land? Come on.

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MR. KESSEL:

The answer is if I could make repower the plant in Glen Wood Landing and it made economic sense, of course I'd rather repower it.

Because what you are doing is you're -- you're increasing the capacity of an existing plant, which the community already has, and by the way, you're doing -- you're doing two wonderful things for the community.

Number one, you're giving them more tax payments because you're increasing the capacity, and since you paid taxes on the output of the plant, other than Shoreham, which is a whole other story, which never operated, the fact of the matter is they're going to get more tax revenues from it and the environment is going to be cleaner because you are cleaning up emissions to a major degree. But you can't -- you can't just say we're going to repower, to use your example, Glen Wood Landing, and do it. We've got to look at it, and that's why we've done a very significant extensive study on it to take a look at it.

My guess is that some of the plants are going to be repowered on Long Island. The only question is when do we do it? How quickly does it get done? Remember, timing is a very big issue here too, not just the window but (sic). You know, we need -- we need generation now. We need we -- if I said today that we were going to build a new power plant somewhere on Long Island, you know, that plant would not be up until 2006 because of permitting, you know, all of the things that we have to go through to get a plant sited, likely public opposition and then the construction phase and the necessary financing to put the plant up. So part of the problem with repowering is, you know, can we do it quickly enough so that we can get -- as an example, I'm going to want to know if we repower -- I'm going to use your example as a hypothetical -- Glen Wood Landing that we can get that repowering by '05 and '06 when we need it. If it's shown that we can't get it repowered till '08 or '09, that doesn't do me any good. It may do me good then, and we should still do it, but we need -- what do we do for '05 and '06. So those are considerations we have to take a hard look at.

LEG. LINDSAY:

Again, and I don't mean to be argumentative. It just doesn't -- it just doesn't sit right with me. You don't have -- you might have to do go through the siting procedure, but that property is already zoned for a generation station.

MR. KESSEL:

I think --

LEG. LINDSAY:

You can skip that whole phase, right?

MR. KESSEL:

I think it easier, if you're asking me, and I don't think we disagree, if you're asking me is it easier to repower an existing plant and is

it better for the public than the building a new one somewhere else, the answer is absolutely yes.

LEG. LINDSAY:

And when you say better for the public, that means less neighborhood opposition, which is costly, come on, let's face it.

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MR. KESSEL:

There's no question. And I've said that if you could take a power plant that's already there, and say to the community, we're going to keep the existing size -- this is the size of the power plant, and this is the height, and it's going to be the same, maybe less, we're going to clean up the emissions, so we're going to reduce NOx and SOx and other emissions down significantly, and we're going to increase the output and increase tax revenues, most communities, I think, would accept it. So I think it's a no-brainer. But again, you can't just say we're going to repower a plant, you've got to, you know, you've got to look at, you know, what the cost is, you know, and what the timing is and whether you can do and afford to lose that plant, and how long are you losing it for. But I think repowering -- in my view we, repowering is probably the greatest potential to increase electric capacity and use -- and energy here on Long Island. And we'd be fools if we didn't pursue it.

CHAIRMAN COOPER:

As the Legislator representing the part of Huntington where the Northport plant is situated, I'd like nothing more than to see the plant repowered, and my constituents in the area would agree. With the new power generation that's going to be coming on line in the not to distant future, the cross-sound cable and turbines at Shoreham and etcetera, realistically when would you project that we can take a serious look at repowering these plants?

MR. KESSEL:

I think we need to look at it right now. I think we can make some repowering decisions within the next 12 months, maybe sooner, and I think we should not wait. I think -- remember that the power plants that we're building this summer emergency plants. We shouldn't really -- those are not base load plants. While they may become -- here's the irony about the condition of the power plants on Long Island. They will be the cleanest, they will be the most efficient, yet they're, you know, small plants that should not be in that category, but they will be. And I'm going to tell you something now, if people think we're just building them for peak days during the summer, I don't think so. I think a lot of these plants, it's going to be economical and environmentally sound to run them more frequently than peakers because they will be cheaper and cleaner and more efficient than some of the base load plants.

In fact, the NYPA plant that the Governor had NYPA build on Long Island -- and by the way, had that NYPA plant not been in operation last summer in Brentwood, we would have had rolling blackouts. Even that 44 megawatt plant was critical to keeping the lights during that heat wave last summer. That plant is being running very frequently now -- I don't know that it's running today, but it's running very frequently. And you'd say, gee -- what -- that's a -- a surprise that is, you are peak plants that are supposed to only run on the hottest days of the year running during the winter. The answer is because

they're cheaper, more efficient and cleaner. And we're finding that the NYPA plants are running much more than we they would. And my guess is that, and I will have to wait and see is that, yes, you know, these plants are going to be put in for this summer, hopefully, they'll be ready, but that you may see them running much more

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frequently than during peak time periods because it's cheaper, it's cleaner and more efficient to do so.

And that's an irony. Now, maybe that says something about the power plants that we have on Long Island. And, Jon, that may make the argument for repowering even stronger, and I thin it does. But I would -- I would expect that a year from now on -- on March 26th, 2003 some of those units that we're building will be running, on this day because it just makes the most sense to do so.

CHAIRMAN COOPER:

Richie, could you briefly describe LIPA's position on the various proposals, current proposals, on new power plants on Long Island.

MR. KESSEL:

I mean -- you mean our general position?

CHAIRMAN COOPER:

What I'm getting at is why is it that LIPA seems support certain projects, has taken no position on other projects and actively opposes yet other projects, such as the NP Brookhaven.

MR. KESSEL:

Right. We're only opposing one project, and that's the A and P project in Yaphank, and the only reason we're opposing, we think that plant -- they want to build that plant, that's wonderful. But in order to put that plant on the system and not have to lose capacity by shutting down one or more plants that are already in the system, we would have to make upgrades to the transmission system of in excess of \$150 million. Frankly, I'm not going to pay -- our rate payers should not pay for that. If A and P wants to build a plant in a place where the transmission is deficient, then they should pay for the upgrades. And if A and P wants to spend whatever it cost for us to not just connect the plant into the system, but to upgrade the transmission system so that we can accommodate that plant and not lose other plants that we desperately do need, they should do that. But, you know, I don't think it's appropriate for our customers to pay higher electric rates to subsidize a private company just because they want to build a plant at a site.

I think that companies that want to come to Long Island have an obligation to take a look at the transmission system first to the determine where's the best place to put those plants. Now this -- and again, this particular plant is being put in a corridor where we can't accommodate it without either spending upwards \$150 million to increase the transmission corridor or close down one or more plants in that corridor, which would then have us loss capacity, which we cannot afford to loss. My general position is that if a company can come to Long Island and build a power plant and sell the power directly to customer, not to LIPA, and we don't have to subsidize them, they should come aboard. But I don't think it's the job of our rate payers to help a private company just because they want to put a power plant

in a particular site. That's my overall view.

I welcome private companies coming to Long Island. In fact, let's look at what we're doing this summer. We're not building any of these

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plants. Some people have complained that KeySpan has a monopoly, and I think KeySpan's sensitive to that. So you know, in addition to KeySpan, we've got Florida Power and Light, Pennsylvania Power and Light, Cal Pine building these plants this summer. That's competition, that's exactly what people want. But our rate payers shouldn't have to subsidize these large base load power plants. And you know, I don't know what A and P -- you know, A and P is cancelling plants all around the country right now. They say -- they say they have a commitment to Long Island, and I hope -- maybe they do. And we are talking with them, and maybe we could make some arrangements.

But you want to know something? If A and P -- and I don't want to pick on them, that's unfair -- if A and P or any other private company comes to Long Island and says, we want to build a power plant, and then decides for some reason they don't want to build it, who cares? Right? They don't care. They're not building a power plant because they want to be nice to Long Island. That's a lot of bologna. They're building because they want to make money on it, that's fine, that's great, that's America, that's the capitalist way.

But you know what? If they see that it's not financially viable to do that right now, and I think some of the companies are relooking these projects because of the Enron situation, the way the world has changed and the difficulty in getting financing. If they decide that they're not going to build a plant anymore, they pull out, and I'm left without enough electricity for our customers. The only company that really has the responsibility to make sure the lights stay on is LIPA. These other companies, they have no allegiance to Long Island, that's not criticizing -- other than KeySpan. And this may surprise you, but even though I think KeySpan took a wrong headed position in some of the ways that they lobby against the option, they have -- this is their home too. And you want to know something? I'm going to say this -- Ed will probably get mad at me a little bit -- but you know, of the ten units we're building this summer, you know the company that's moving the quickest? KeySpan. You know the company that I know I can pick up the phone and call tomorrow, tonight, in the middle of the night, early in the morning, Bob, I need your help? It's KeySpan.

These other companies are wonderful companies, I happen to like Florida Power and Light and Pennsylvania Power and Light and Cal Pine, but you know what? They're not Long Islanders. And so people who say, oh, God, LIPA and KeySpan, you know, they have a monopoly here on Long Island. Maybe we do, and maybe we should split that up. But you know what? I wouldn't go so fast, because everywhere where companies have split up, and, you know, all the generation has been sold to outside companies, like Enron, by the way, which destroyed California, and no one's even talking about that. The scandal is sexy. But let's be honest about it. Enron and other companies said to California, you know what, now we own the generation, we don't care about California, we just want to make money, you don't want to pay us the price because you froze retail rates, fine, we're going to withhold our supplies. That's why the lights went out. Everyone -- let's be honest about it,

that's why the lights went out.

Now, you want that to happen on Long Island? I don't. And I can say

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one thing I know about LIPA and I believe about KeySpan, we care about Long Island. We live here. We're here every day. LIPA for electricity, and KeySpan for gas. We're not going anywhere. And I think that's an important thing to say to you here is that the only certainty that we're going to have enough electricity on Long Island is if LIPA moves forward and makes sure that enough generation is built. These other companies, they may have the best of intentions, and maybe they'd sit before you today and say, Jon, we're building that plant. But you want to know something? Six months from now the world could change, they could walk away, and there's not a damn thing that you could do about it. With me, you can beat hell out of me. I'm here all the time. You could -- you could excoriate me forever. And you know what? If the light went out, you should. I will take that responsibility. Not these other companies.

So I think that -- that's my overall position. You want to build a plant here, come and build it and pay for it. And that's great. By the way, can I say one other thing? I think this is an important point. If you want to build a plant here, find someone to buy the power from it. Why is it always LIPA? I mean, every company that wants to build a plant here, comes to LIPA and says, you buy all the power from it. And whether it's -- even some of these small plants that we want to build that were supposed to be merchant plants, all of a sudden, no more. I can't get -- and I don't want to give specific examples, but I can't get a company right now to build a power plant, small or large, without coming to go LIPA and saying, you buy all the power. What happened to competition? See the whole -- I thought it was that, you know, Company A would come to Long Island, build a power plant, take the risk, and then sell the power into the market. That's not what they want. They want to come to Long Island, build a power plant, have LIPA take the risk, and then sell the power to LIPA. That's exactly what the market is. It's true with every company right now.

And I don't think that's the way it way it ought to work. I mean, if that's the case, we might as well have someone build it. Why show I depend on someone else? It just doesn't make any sense to me. The markets, Jon, are screwed up right now. It's really a bad market right now, and I think you are going to see a number of cancellations in New York State, and you're going to see some on Long Island too.

CHAIRMAN COOPER:

Richie, I believe you recently announce that LIPA had plans to build its own 500 megawatt power plant in a private-public partnership. Could you describe LIPA's plans in a little more detail.

MR. KESSEL:

No. I said we need to make plans to do that. We - I -- just based on everything I just told you, I am not going to sit and wait for a private company to pull out and be left with nothing for '05 and '06. What I said is that I am going to look for a developer or several developers to partner with LIPA to build a five to 600 megawatt power plant on Long Island. And we are in the process of doing that right now. We have to do it because all of these power plant -- you know

what? A year ago, everyone was complaining that there are 25 plants coming on, my God, how are we going to handle all these. And they're

all falling be the wayside, every single one of them. Now we're left with three. I mean, we're left with three right now. If I could think straight, Kings Park Spagnoli Road and A and P in Yaphank. I can't sit here today and tell you for certainty that any of them will be built. I have the most confidence in Spagnoli Road because it's LIPA and KeySpan. But even that I can't guarantee you.

So, you know, I want to make sure, I'm pretty confident that we can get Spagnoli Road up. I'm not a 100%. I think we have -- I think we have to take a look at another power plant. We're going to have to take the lead because if these companies, cancel six months from now, a year from now, you want to know something, it's still my responsibility. No one's going to blame A and P if the lights go out. In fact, I have to tell you this, I tell my good friend Bob Catell, no one is going to blame KeySpan, they're going to blame me, me personally and LIPA. Me first and LIPA second. I will guarantee you that. I will be the fall guy, and that's fine, that's my responsibility, and that's why I'm paid the huge bucks to do. But you know what? The fact of the matter is I'm going to take that responsibility serious. I am not going to let the lights go out on Long Island.

CHAIRMAN COOPER:

Richie, you mention a couple times our need on Long Island to determine the best places to build future power plants, and I might add also new transmission lines. One thing I have been disappointed in frankly, as far as LIPA's commitment is concern is your inability so far to come up with a detailed master energy plan for Long Island. I know this is something you have been working on. I had received a letter from you probably last April or May saying that you expected today have the detailed plan by the fall. And it wasn't forthcoming. I know it's not easy to put together, but this is really critical if we're going to be able to do long term planning and collectively be able to determine the locations that make the most sense, not only for LIPA and KeySpan, but also for the local community, the environment. Where do we stand on the master energy plan? And when do you expect that you will have a detailed written plan that you could share with the Legislature and the public?

MR. KESSEL:

Let me say three things. First the of all, we've had an overall plan since we took over LILCO, which id basically our three pronged approach of conservation first, transmission and generation. Having said that, I don't think we -- I don't think we have done a good enough job in long range planning. Part of that, I mean, is we just didn't do a good enough job, part of it is because we're in an emergency situation right now, and all plans go out the window when the lights start going out. So I guess what I want to -- what I want to say is I think we could have done a better job. I think we probably should have started to put a master plan together before we did, and I really do. I think -- I mean, you know, when you take over a company, and I was telling our friend -- I know you know him too -- Tom Suozzi today, it's so tough when you take over the County or you take over LILCO, and, you know it's very similar. LILCO -- people

forget what bad shape LILCO was in. It was close to bankruptcy, the highest rates in the country, its system was in utter decay, poles

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hadn't been replaced in 40 years, trees hadn't been trimmed. It was -- it's a disaster. And, you know, you think it's an easy transition, but it's not. And frankly, the first the couple of years, I think we were focused right fully so in just getting our arms around this company that had, you know, plagued Long Island for all these years. And it was very tough to do. And I don't want to use that as an excuse, but I do want to say that as soon as we started to succeed because we lowered rates and the economy got well, you know, then, you know, the electric pacman started to, you know, eat up electricity everywhere, and all of a sudden, the growth went through the roof, and we had to focus intensively on an emergency last year and this year.

Now -- so it diverted us a little bit from planning that we ordinarily would have done had we not had this energy crisis. If you would have told me, by the way, ten years ago under LILCO that we'd have an energy crisis because we don't have enough electricity, I'd laugh in your face. You know, electricity and growth under LILCO, if it grew a tenth of a percent in a year was a lot. We're seeing three and a half -- I mean, it's extraordinary. So I think we started the process too late.

CHAIRMAN COOPER:

And you probably once again, devoted a lot of resources to the GPRA question that perhaps could have been --

MR. KESSEL:

And to getting these plants up. I mean, everyone, you know, some people said, and I can understand this, don't do the cross-sound cable, why are you building all these plants, let's do a master plan first. The problem is the lights would have gone out. And our first -- I believe our first obligation is to keep the lights on. And, you know, the bottom line is I was left with the system I was dealt with when we took over from LILCO, that's what we got. LILCO -- I could sit here and blame LILCO all day. They should have done a cross-sound cable ten years ago, but they didn't. Why? Because they wanted to, you know, convince the public the only way to operate was Shoreham. I understand that. They could have built additional power plants, they didn't. They could have upgraded the transmission system, they couldn't, they didn't have the money. Why? Because all of that went into Shoreham. But sitting here and blaming them is irrelevant if the lights go out, it's my fault. No one remembers LILCO anymore. You know, so I think that focus was intent.

However, we are in the process of putting together a draft master plan. It's being done by Stone and Webster and my staff. They've been working very diligently at it. And frankly, Ed Grilli is in charge of the project, but he's also in charge of the cross-sound cable and power plant repowering Long Island project for this year. And that has to take precedence to keep the lights on. Having said that, we discussed this at our staff meeting the other day, I am expecting a draft plan to be made public within the next 90 days, maybe soon. I haven't even seen it yet, so I want to take a look at it first. We will then put the planning -- the document out, the planning document out. We will take public comments. I guess, it will be in the fall because we're going to have to get through the

summer first, but the plan will be out there during the summer. And
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we will have hearings on it. And we will then adopt a plan in the fall.

Having said that, I want to say to you at the same time, the notion that this plan should be the be all and end all and bind LIPA is ridiculous. You cannot do that because the world changes very, very quickly. And we're not, you know -- again, I think we all agree that they are two priorities that in my view take paramount importance over everything; keeping the lights on and keeping the bills down. And if we're going to adopt a master plan that ultimately forces us to be in a position where the lights go out or the bills go up, that's not good. Having said that, however, I think a master plan is to be used as a kind of road map for the future -- and by the way, my experience with NYPA and Nassau County is that's what we're kind of looking for in a four year plan from the new County Executive, not something that bounds them by hand and foot every day of their lives, but something that helps them plan for the future. I think that document can be very, very valuable to us. And I look forward to sharing that document with the Legislature out here and this committee. I'd be glad to come back at that time to talk about it, to get your input because I'm sure the document that we put together is not going to be sufficient. That we're going to need public input to make a lot of changes to make it a livable breathable document. My hope is that we can adopt a master plan before the end of the year.

CHAIRMAN COOPER:

And Richie, do you envision this master plan containing concrete recommendations for potential sites for new power plants and transmission lines and perhaps some of time frame for repowering of plants, etcetera?

MR. KLIMBERG:

It will talk about the needs for the transmission system and upgrading and what have you. It will talk about the problems we do have in siting, it will give the economic impact of upgrading certain aspects of system. I don't think you're going to find at this point any definitive statement as to where power plants should be in the next ten years. It's a snap shot in time, if you will, this resource plan. It's something that we'll have to look at what we have today and try and look out ten years, but again, as Richie said, it's going to be a breathing document that's going to have to be fluid in some way.

MR. KESSEL:

Jon, one example is repowering. If we make a determination eight months from now based upon our review to repower certain plants, that would have to be incorporated into the plan. It may not get incorporated right away because we don't know the answers to that. So I think we have to be flexible enough to make sure that we can accommodate these different interests.

CHAIRMAN COOPER:

Well, let's see. You've been before us for over two hours now. You've outlasted most of my colleagues in the Legislature. So I have thank you once again, Richie, for coming out. You can certainly give as well as you get, if not better. Legislator Nowick, did you have any additional questions?

LEG. NOWICK:

No. I don't any further questions, but to say thank you. That was very informative, and I did enjoy it. As I said, I did here you speak before at a government finance meeting, and I always enjoy it.

MR. KESSEL:

Thank you. I have to say this was a lot of fun.

CHAIRMAN COOPER:

Well, that was the entire purpose of this, I wanted you to have fun. And I also did not want to scare you off from --

MR. KESSEL:

If I had a choice between doing this and watching Six Feet Under, I would watch Six Feet Under. But if I had a choice between doing this and being six feet under, I would do this.

CHAIRMAN COOPER:

Badumbump. Thank you. That's also probably my favorite show.

MR. KESSEL:

Thank you, Jon. I do want to put on the record, I want to thank you for your interest. You've been a very good Chairman of the Energy Committee out here. And we haven't always agreed, but your -- one of the things I like about you, and I tell this to a lot of people, is you're all receptive to listening to the other side, and I think that's important. And I find -- I find the Suffolk Legislature to be that way, for the most part. Even my good friend, George Guldi, we kid each other a lot, but I have a lot of respect for him, and I have a lot of respect for this institution, it's nice, the room is beautiful. I used to come here all the time and oppose Shoreham and a lot of things. I remember a lot of loud disagreements a few years ago when we tried to do the LIPA deal, but you know what? We can't do it without you. So I want to thank you for giving us this opportunity because I think it's good. And I'd like to do this regularly, not everyday, but certainly a couple of times of a year. I'd like to come out here and testify before your committee, even before the full Legislature, if that's appropriate, because I think the more we see each other, the more we understand each other. And then if we disagree, at least we have the facts. And I want to commend you for taking the leadership to do that. And I want to invite myself back after the summer maybe to talk a little bit about, you know, where we are on some of these issues. Especially, it seems to me, you're very interested in repowering, I think we'll have a lot more information at that time.

CHAIRMAN COOPER:

That sounds great. I certainly want to take you up on your offer to address the committee about the draft master plan when that comes out, or repowering, any other issue. And I guarantee if you come out here more often, we'll not have as many questions, and the committee meeting will not last quite as long. Richie, thank you very much again.

MR. KESSEL:

Thank you.

(*THE MEETING WAS ADJOURNED AT 3:30 P. M.*)

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